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California Lawyer Testifies About Frustrations with Rewald's Firm

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The final weeks of Bishop, Baldwin, Rewald, Dillingham & Wong were full of frustration and annoyance for California lawyer David Day.

It was July 1983 and Day just could not convince Ronald Rewald that he was in deep trouble with the Securities and Exchange Commission and that he was facing possible criminal penalties.

Four months earlier, Day had joined Rewald's firm, with the understanding that it was an international financial and consulting firm. But three days after Day went to work in the Napa, Calif., office, he realized the company was facing a number of serious problems.

First of all, Day told the jury in Rewald's federal fraud trial yesterday, the company was making false representations about the tax benefits of investing with Bishop, Baldwin.

He also questioned the company's claims that the Federal Deposit Insurance Corp. actually insured money in the BBRD&W "investment savings accounts" up to \$150,000. Day also learned that the company was not even registered to do business in California.

THE MORE Day dug, the more problems he found. Rewald seemed concerned about the possible SEC and FDIC investigations and asked Day to take care of the matters. But Day said he

was unable to get the documents he needed to prepare to fight the investigations. He said he could not get Rewald to act.

Day said he thought that Bishop, Baldwin had about 20 clients who put money in the investment savings accounts, and he wanted Rewald to phase those accounts out immediately.

He did not know there actually were close to 400 accounts and that Rewald had used the promise of high interest rates and tax-deferred earnings to induce investors to pump \$22 million into the company.

In July, Rewald went on an ocean cruise, just weeks before he was to meet SEC investigators.

"I believed the SEC was breathing down the company's neck," Day said. "I was very concerned I was not getting full attention ... to a serious problem."

WHEN REWALD returned from the trip, which had cost \$24,000 for two penthouse suites, Day again pressed Rewald to meet with him and prepare for the SEC meeting. Rewald, however, said he was busy and had to meet with "the mayor and Gov. (George) Ariyoshi," Day said.

Day said Rewald was "stunned" when he was shown a legal opinion, written by California securities lawyer Harold Marsh, saying it was clear Rewald had violated securities laws and could face prison if convicted.

Day had asked Marsh to prepare the opinion to show Rewald how serious the situation was.

But Rewald, while assuring the lawyers he wanted to beat the SEC investigation, failed to turn over the documentation that would be needed.

Although Rewald said he had instructed his consultants to quit taking investments in the controversial accounts, Day learned that the consultants still were soliciting investments.

THE INVESTMENT accounts were supposed to be closed by July 15, Day said, but that date came and went with the accounts still open.

An FBI accounting expert testified earlier this week that there was no way Rewald could close the investment accounts because, by July 1983, he was millions of dollars in debt.

He needed a constant flow of new investors to pay off money owed other investors and to continue to finance an appearance of corporate prosperity.

Finally, on July 29, 1983, Rewald attempted suicide in a Waikiki hotel, and days later his company was exposed as an investment scheme. Day said he resigned on Aug. 2, 1983.

Rewald does not deny that he took in money from investors and that his company actually did no real business. But he claims the company was set up and run by the CIA. While the CIA admits minor ties with Rewald, it denies any responsibility for Rewald's taking money from investors.